

Public
Employees'
Retirement
System

PERS Plan 3 Employer Update

State Agency and Higher Education Employers' Edition

PERS Plan 3 Member Newsletter

Enclosed with this ***PERS Plan 3 Employer Update***, please find advanced copies of the fourth issue of the ***PERS Plan 3 Transfer Decision News*** member newsletter. The Department of Retirement Systems (DRS) will mail this newsletter to Public Employees' Retirement System (PERS) Plan 2 and Plan 3 members' homes in early August 2002.

This edition of ***PERS Plan 3 Transfer Decision News*** includes articles on transferring to PERS Plan 3 during the transfer window, Plan 3 contribution rates, gain sharing and transfer payments, what members can expect in PERS Plan 3 and resource information.

As an employer, you are encouraged to display the enclosed newsletters in appropriate locations at your work site to provide members with additional access to PERS Plan 3 information.

Member Information Form Due Date

The due date for members who wish to transfer to Plan 3 to return their completed Plan 3 Member Information Form (MIF) to their employers is August 31, 2002. Please remind your employees of this important date, and the process they must follow to ensure receipt of the Plan 3 MIF. The Plan 3 MIF is used by members to select their plan, rate option, investment program and transfer date. Employers should make sure that all of the appropriate sections are complete.

To report correctly to DRS, employers must add this information to their payroll system and ensure that the information is included on the transmittal report. The employer's receipt of the Plan 3 MIF determines which transmittal report will include the transfer date.

It is important that employers report this information in a timely manner to ensure that a member's contributions, transfer and gain sharing payments are applied to eligible members' accounts. Please contact DRS' Employer Support Services (ESS) unit at the number listed under *Resources* on page 6 if you have questions, are ready to submit a test file or need additional information.

Initial Transfer Window to End

The initial transfer window for Phase 1 members (PERS Plan 2 members who are employees of state agencies and higher education institutions and who were hired before March 1, 2002) to transfer to PERS Plan 3 will end on August 31, 2002. To qualify for the 110 percent transfer payment, Phase 1 members must have earned service credit in June 2002, and have transferred to PERS Plan 3 by August 31, 2002.

Those members who do transfer to PERS Plan 3 by August 31, and who earn service credit in June 2002, will have the 110 percent transfer payment applied to their account in June 2003.

January Transfer Window

Members who established membership in Plan 2 prior to March 1, 2002, and who do not transfer during the initial transfer window, will have an opportunity to transfer to PERS Plan 3 each January. However, members transferring during the January transfer window will not be eligible for the transfer payment. The financial modeling software will be updated in November 2002 to help members who are eligible for the January transfer window with this decision. Any Plan 2 member who established membership prior to March 1, 2002, should be given the ***PERS Plan 2 or Plan 3 Transfer Decision*** packet.

Ongoing Plan Choice

Even though the initial PERS Plan 3 transfer window closes on August 31, 2002, employers will still be responsible for providing new employees (Plan 2 members as of March 1, 2002 and beyond) with the Plan 2 or Plan 3 ***New Member Plan Choice*** packet and ***New Member Plan Choice*** video. New members will have 90 days to make their plan choice, so it is imperative that Plan Choice information be provided to them immediately upon hiring.

Also, PERS Plan 3 members seeking information on seminars, account access and the financial modeling software for the January transfer window, should be directed to the PERS Plan 2 or Plan 3 Web portal at <http://www.wa.gov/drs/member/pers/2or3/.htm>.

Last Issue of *PERS Plan 3 Employer Update*

This issue of the ***PERS Plan 3 Employer Update*** will be the last in this series of employer updates. Employers who have questions related to PERS Plan 3, or who may need additional information, should contact ESS at 1-800-547-6657 (ext. 47200) or (360) 664-7200.

Items Mailed by DRS

The table below summarizes information (publications, videos, posters/flyers, etc.) that was distributed to employers. Employers who may need additional copies should use the appropriate number listed under *Resources* on page 6.

Items Mailed by DRS	Date	For Whom?
<i>Journey to Retirement</i> Posters and Flyers	December 2001	PERS Plan 2 members seeking information regarding PERS seminars
<i>PERS Plan 2 or Plan 3 Transfer Decision</i> packets	December 2001	Plan 2 members who establish membership prior to March 1, 2002
<i>PERS Plan 2 or Plan 3 Transfer Decision</i> videos	January 2002	Plan 2 members who established membership prior to March 1, 2002
<i>New Member Plan Choice</i> packets and videos	January 2002	Plan 2 members with original hire/ membership date on or after March 1, 2002
<i>DRS Employer Handbook</i>	February 2002 and April 2002	Employers
<i>PERS Plan 1 and Plan 2 Member Handbooks</i>	February 2002	Plan 1 and Plan 2 members
<i>PERS Plan 3 Member Handbooks</i>	February 2002	Plan 2 members who request them and all Plan 3 members
<i>PERS Plan 3 Investment Education</i> materials and videos	February 2002-March 2002	Members who choose Plan 3 and/or need more information about Plan 3 investments

Employer Training

DRS' scheduled training workshops for employers have been completed. However, employers needing assistance or who have questions related to PERS Plan 3 or any other system should contact ESS at the number listed under *Resources* on page 6. DRS would like to thank employers for working to ensure the implementation of PERS Plan 3 was successful and that members continue to receive all the information they need.

IRS Approves DRS Petition on Contribution Rates

DRS recently received approval from the Internal Revenue Service (IRS) to provide an annual window for Teachers' Retirement System (TRS) Plan 3 members to change their contribution rates. DRS will seek executive request legislation during the 2003 session to authorize this change in state law. IRS approval of the DRS proposal opens the way for DRS to seek similar IRS approval for School Employees' Retirement System (SERS) Plan 3 and PERS Plan 3 this summer.

The IRS must approve the SERS and PERS requests and the legislature must enact the executive request legislation before DRS can implement these changes. Given these approvals the first open window for Plan 3 members to change their contribution rates is anticipated to be January 2004.

Under current state law, a member's choice of contribution rate is irrevocable unless the member changes employers. DRS has received numerous requests since the inception of TRS Plan 3 in 1996 to provide Plan 3 members with some flexibility to change their contribution rates. DRS worked with the Employee Retirement Benefits Board to develop the proposal that was submitted to the IRS as part of the formal TRS 3 plan qualification process.

Under this proposal an additional contribution rate has been added to the basic rate of 5 percent. This provides members with the flexibility to contribute amounts that will help them achieve their retirement goals. When added together, the rates equal the six options currently provided to Plan 3 members. See the proposed contribution rate table below.

At this point in time, we do not anticipate any changes to the current reporting requirements. But as more information becomes available, DRS will work closely with employers to see what impacts the change may have on employer reporting.

CONTRIBUTIONS	PROPOSED CONTRIBUTION RATES*		
	MANDATORY	ADDITIONAL	TOTAL
Option A			
All ages	5%	0.0%	5%
Option B			
Up to age 35	5%	0.0%	5%
Age 35 to 44	5%	1.0%	6%
Age 45 & above	5%	2.5%	7.5%
Option C			
Up to age 35	5%	1.0%	6%
Age 35 to 44	5%	2.5%	7.5%
Age 45 & above	5%	3.5%	8.5%
Option D			
All ages	5%	2.0%	7%
Option E			
All ages	5%	5.0%	10%
Option F			
All ages	5%	10.0%	15%

*This rate table reflects the contribution rates approved by the IRS in DRS' recent proposal. Before the rates can take effect, executive request legislation must pass in the State Legislature. For more information, see article above.

Purchasing Service Credit

If you have employees who did not work in June 2002 because they were on an authorized leave of absence, they may be eligible to buy back the service credit for June 2002. Please refer the member to the *Plan 3 Recovery of Withdrawn or Optional Service Credit* brochure available on the DRS Web site or call DRS for more information. Refer to the appropriate contact number listed under *Resources* on page 6 for more information.

Transfer Decision Booklets

DRS mailed PERS Plan 2 members a *Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision* booklet and transfer letter in December 2001.

The booklet includes a thorough description of each plan and provides your members with information to help them make their choice. The letter includes information on the transfer payment, the retroactive gain sharing payment and years of service credit.

DRS has detected a small number of *Journey to Retirement: PERS Plan 2 or Plan 3 Transfer Decision* booklets which have a printing error. To determine if your booklets are correct, look on page 19.

If page 19 is a full-page yellow and pink comparison chart, the booklet is correct. If page 19 of the booklet is a blank “Notes” page, the booklet has an error and must be replaced. Please contact DRS if you have one of these booklets and a new booklet(s) will be mailed to you. For more information, contact DRS at the appropriate number listed under *Resources* on page 6.

Internet Services

DRS would like to remind employers to use our Internet services to submit Correction Transmittal Reports and to verify the status of new employees. Many employers have already signed-up for these services, which help ensure that DRS receives accurate and timely member information. For more information, visit the DRS “eservices” Web site at <http://www-app3.wa.gov/drs/eservices/Info/ElectServ.asp>.

Additional Requirement for Reporting Negative Contributions

In *DRS Notice 02-002*, DRS listed two criteria that must be met in order for employers to report negative contributions:

- The negative contribution is less than 80 percent of the member’s Plan 3 contributions, as reported by that employer.
- The amount of the negative contribution is less than \$1,500 of the member’s Plan 3 contributions, as reported by that employer.

As of this *PERS Plan 3 Employer Update*, an additional requirement is:

- The member can not have withdrawn their contributions

For more information, contact ESS at the number listed under *Resources* on page 6.

Resources

Internet Site: Additional information will be posted to the Web site at:

<http://www.wa.gov/DRS>

Employers: If you have questions, contact ESS at:

1-800-547-6657 (ext. 47200) or (360) 664-7200

To order transfer/choice packets/videos, or handbooks, contact DRS at:

1-800-547-6657 (ext. 47066) or (360) 664-7066

To order additional investment education packets, videos and posters/flyers, contact ICMA-RC at:

1-888-711-8773

Members: If members have questions, they can contact DRS at:

1-800-547-6657 or (360) 664-7000